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**BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001**

POSTAL RATE AND FEE CHANGES **Docket No. R2001-1**

Initial Brief Of KeySpan Corporation, Automatic Data Processing, Inc., Electronic Data Services, and Long Island Power Authority In Support of Stipulation And Agreement On QBRM Issues

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Pursuant to the procedural schedule established in Presiding Officer's Ruling ("POR") No. 43, issued January 31, 2002, the QBRM Coalition, consisting of KeySpan Corporation ("KeySpan"), Automatic Data Processing ("ADP"), Electronic Data Services ("EDS"), and the Long Island Power Authority ("LIPA") hereby submits its initial brief in support of the pending Stipulation and Agreement[1] ("S&A"). KeySpan presented evidence on QBRM reply mail issues through the testimony and exhibits of Richard E. Bentley, an expert witness who has testified before this Commission in numerous rate and mail classification proceedings for over twenty-five years.

The QBRM Coalition's Interests In This Proceeding

KeySpan is engaged primarily in the distribution of natural gas and the generation of electricity. KeySpan is a large user of mail services. KeySpan's gas distribution utility affiliates in New York incur over $12,000,000 annually in total postal charges, primarily for customers' billing and Qualified Business Reply Mail ("QBRM").

Automatic Data Processing, Inc. ("ADP"), a limited participant in this proceeding, is a large user of mail services and incurs more than $500 million annually in total postage charges, primarily for investor communications mail distribution.

Electronic Data Services' ("EDS") Magazine Subscription Fulfillment Division provides fulfillment services for magazines, including the receiving of invoices,

[1] *See* Motion of the United States Postal Service Submitting Second Revised Stipulation and Agreement, dated January 17, 2002.

renewals, orders and promotions. In this capacity, EDS receives over 55M pieces of Qualified Business Reply Mail each year. EDS spends in excess of $45M on QBRM and outgoing postage annually. EDS is also a limited participant.

LIPA, a limited participant, is a corporate municipal instrumentality and political subdivision of the State of New York. LIPA, through a wholly owned subsidiary, is engaged primarily in the purchase and distribution at retail of electricity in Nassau and Suffolk Counties, and a portion of Queens County, New York. The area served contains a population of approximately three million. In connection with the provision of electric service, LIPA is a large user of mail services, primarily for customers' billing and QBRM.

Executive Summary

- ADP, EDS, KeySpan, and LIPA are all signatories to and strong supporters of the S&A. The S&A is the product of unprecedented, tragic circumstances for the Nation and the Postal Service and equally unprecedented cooperation among the USPS and all segments of the mailing industry. The Commission, which initiated settlement discussions has an historic opportunity to approve the parties near unanimous agreement. Common sense and balanced judgment are the keys to resolving the issues presented.

- The S&A provides substantial benefits for all affected parties, including American Postal Workers Union, AFL-CIO ("APWU"), the ***only*** participant that actively opposes the S&A. Implementation of the S&A rates by June 30, 2002 will provide the Postal Service with about $1.2 billion additional revenues above the revenues it would otherwise receive through the end of the test year if ***all*** its originally filed rates were approved. At the same time, by maintaining the QBRM discount at the current level of 3 cents the S&A mitigates somewhat the disproportionately large rate increase that QBRM recipients would have to pay under the USPS' filed rates.

- APWU has failed to provide any legitimate rationale for its proposal to slash the QBRM discount to 0.6 cents. APWU's discount is predicated upon a flawed cost savings estimate that was never made part of the record and was specifically disavowed by the USPS witness.

- Substantial evidence supports retention of the current QBRM discount. KeySpan witness Richard E. Bentley demonstrated that, measured reasonably, QBRM cost savings are 5.03 cents, far greater than the nonexistent 0.85 cent cost savings relied upon by APWU witness Riley or the 1.60 cents savings derived by USPS witness Miller on the third try.

Background

Business Reply Mail ("BRM") is classified as a "special service" because it is a service in addition to the basic First Class Mail service that BRM recipients receive and pay for. QBRM is a relatively small service, accounting for only about 400 million pieces. In terms of revenue impact from the rates originally proposed by the Postal Service, acceptance of APWU's 0.6 cent proposed QBRM fee will add only $7.4 million or .1% of the Postal Service's total revenues. Nevertheless, for those who rely upon BRM, it is vital service. For this reason, KeySpan has, in several omnibus rate proceedings, devoted substantial resources to developing rational BRM fee proposals.[2]

The first discounted QBRM rate of 30 cents, a 3-cent discount from the 33-cent First-Class basic rate, was established in Docket No. R97-1.[3] The discount reflected cost savings that result from the pre-approved, prebarcode feature of QBRM. Currently, the QBRM discount remains at three cents, so the rate that QBRM recipients pay today is 31 cents.

Despite the relatively small amount of revenues involved, issues involving rates for BRM and now QBRM have been especially controversial.[4] This case was shaping up for a continuation of the controversy because the USPS rate filing proposed to reduce the QBRM discount from 3 cents to 2.5 cents based on USPS witness Michael Miller's claim that, in less than a year, the derived QBRM cost savings had plummeted, from 3.4 cents in Docket No. R2000-1 to just .85 cents in this case. However, as a result of settlement discussions, the parties agreed to leave the current discount in place. Therefore, under the S&A the discounted QBRM rate will increase 9.7% to 34 cents.

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2 One of KeySpan's subsidiaries, The Brooklyn Union Gas Company, now doing business as KeySpan Energy Delivery New York, participated actively on BRM issues for over 15 years, beginning with the R84-1 proceeding.

3 *Postal Rate And Fee Changes, 1997,* Docket No. R97-1, Opinion and Recommended Decision, issued May 11, 1998 ("Op. R97-1") at 320-322.

4 See *Postal Rate And Fee Changes, 1987,* Opinion And Recommended Decision, issued March 4, 1988, at 799; *Postal Rate And Fee Changes, 1994,* Docket No. R94-1, Order No. 1024, issued August 17, 1994; *Postal Rate And Fee Changes, 1997,* Docket No. R97-1, Opinion and Recommended Decision, issued May 11, 1998, at 320-22, *vacated Prepaid Reply Mail recommendation,* Decision of the Governors Of The United States Postal Service On The Recommended Decisions Of The Postal Rate Commission On Prepaid Reply Mail And Courtesy Envelope Mail, Docket No. R97-1, issued June 29, 1998 at 1-4; *Postal Rate And Fee Changes*, Docket No. R2000-1, Opinion And Recommended Decision, issued November 13, 2000, at 542-558.

APWU proposes to slash the QBRM discount to .6 cents in this proceeding, thereby raising the QBRM First-Class rate 17.4%, from 31 cents to 36.4 cents. This is an extraordinary increase compared to the system-wide average of 8.7% originally proposed by the Postal Service in its rate filing. Tr 13/5226. For the reasons set out below, the Commission should reject APWU's ill-considered proposal and approve the S&A's disposition of this issue.

Argument

I. The S&A Is A Reasonable Response To Extraordinary Events

On the very morning that the Board Of Governors authorized the USPS omnibus rate filing under consideration here, the World Trade Center in New York and the Pentagon near Washington, D.C. were struck by a savage, coordinated terrorist attack. Shortly thereafter, a person or persons unknown used the postal system to deliver deadly anthrax spores, killing several persons including innocent postal workers in the process. These events sent shockwaves through an already weakened economy that was hovering on the brink of recession.

At the October 25, 2001 prehearing conference, Chairman Omas exhorted all participants "to recognize the extraordinary times warranted by extraordinary acts," stating:

> We are meeting at a time when unique and unprecedented challenges are facing the Postal Service. Its business was disrupted first by the events of September 11 and now, even more critically, by the use of the mail system for spreading disease. None of us can know what impact these events will have on the public's perception of the Postal Service, and none of us can know the impact these events may ultimately have on the health of the Postal Service. I wonder whether recent events make it appropriate to think about alternative ways for us to do our job.
>
> * * *
>
> I want to assure you all that this Commission is prepared to hear all of the evidence and make a reasoned, recommended decision to the Governors on the appropriate rates for test year FY 2003. At the same time, I want to ask everyone at this conference whether that is the best way to assure the Postal Service gets through the current crisis intact.
>
> I have often heard it said that there could never be a settlement in an omnibus rate case. There are too many conflicting interests and too much money at stake. It seems to me that if there was ever a time when

> business as usual was not the attractive course of action and when cooperative efforts to promptly resolve issues through a settlement might be the right course of action at this time.
>
> * * *
>
> I urge everyone connected with this process -- those of you here today, those at L'Enfant Plaza and those in the board rooms around the nation -- to be statesman-like and to work together proactively to meet the serious challenges facing the postal system.[5]

Most participants took Chairman Omas' remarks to heart. On November 2, the parties began to meet. On that date, representatives of First-Class workshare mailers and the QBRM Coalition met and presented their first comprehensive settlement proposal to the USPS. After many more meetings and discussions, the parties hammered out the final S&A that is now before the Commission for consideration.

In the end, the parties accomplished what prior experience and accepted wisdom dictated could not be done: they settled an omnibus postal rate proceeding. Moreover, they did so in a very short timeframe, thereby sparing most parties the substantial time and expense involved in actively pursuing the litigation alternative. The S&A enjoys support from all sectors of the mailing industry, the Office Of Consumer Advocate, and the Postal Service.

APWU is the only party that actively opposes the S&A. APWU's opposition and its alternative rate proposals lack the common sense, balance, and good judgment that are the keys to resolving the issues it has raised. Common sense should have told APWU's leadership that radical proposals, such as reducing the QBRM discount from 3 cents to 0.6 cent, are not appropriate,[6] especially under the extraordinary circumstances facing the USPS and the Nation.

In this case, the settling parties, despite their disparate and adverse interests, labored hard and produced an agreement that will provide the Postal Service with up to **$1.2 billion** more revenues than it the rates in its initial filing would generate through the

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5 Tr 1/39-42. *See also* Tr 1/42-43, 44-45 (Commissioner Goldway).

6 Unlike APWU, which is offering a classic get rich quick scheme, the Commission must be guided by the ratemaking principles embodied in the Postal Reorganization Act ("Act"). One of the most important considerations the Commission must take into account in considering different rate proposals is the impact of those proposals on mailers. *See* 39 U.S.C. §3622(b)(3)

end of Fiscal Year 2003. Tr. 13/5342 Measured against this massive, virtually guaranteed injection of additional revenues from all classes of mail, APWU's proposal to forego the benefits of the S&A in order to ***possibly***[7] raise an additional **$ 7.4 million** from QBRM recipients makes no sense. The Commission would be justified in rejecting APWU's radical proposal for QBRM on this ground alone.

Under the S&A, ***all*** segments of the mailing industry will bear the burden of providing greater financial security to the USPS in the short term. QBRM recipients are not spared from this burden. On average, taking into account the QBRM discount and per piece fee, QBRM recipients face a rate increase of 10.2%, considerably more than both, the rate increase for First-Class single piece (7.4%) and the system-wide average (8.7%). Under these circumstances, it is unseemly and unwarranted that APWU should have singled out the QBRM discount as one of the issues on which to make its final stand.

For these reasons, the S&A is a very reasonable response to the extraordinary circumstances facing the Postal Service and the Nation.

II. There Is No Factual Or Logical Basis For The QBRM Discount Proposed By APWU

APWU has proposed that the QBRM discount be set at 0.6 cents. That discount level represents 80% of the 0.85 cent QBRM cost savings APWU witness Riley chose to rely upon.

There is at least one very glaring flaw in APWU's proposal. The 0.85 cent cost savings he relied upon simply does not exist. The 0.85 cent cost savings estimate was included in the USPS' September 24, 2001 filing in this case. However, after KeySpan explored the bases for that estimate, sponsored by USPS witness Miller, Mr. Miller submitted a revised cost estimate, not once but twice. In the end, Mr. Miller's derived cost estimate was 1.6 cents, almost twice his initial estimate.

APWU witness Riley knew that Mr. Miller had revised his cost savings estimate twice. Tr 12/4862. Nevertheless, he ignored the corrections and chose to use the

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[7] Far from reaping a windfall, no matter how small, from implementation of APWU's QBRM discount proposal, the USPS faced a tough fight from KeySpan and other members of the QBRM Coalition and the much more real possibility that the QBRM discount would be ***increased further*** based on record evidence and that the per piece fees could be justifiably lower than those the USPS proposed.

original 0.85 cent estimate as the basis for his QBRM discount recommendation. In his prepared testimony, which devoted less than a dozen lines to his "analysis" of the QBRM discount issue, Mr. Riley defended his use of the 0.85 cent cost savings estimate on the ground that "[w]hen there is uncertainty, the choice should be the conservative or lower [sic] number." Tr. 12/4863. However, during cross-examination, Mr. Riley admitted that he just wanted the "lowest number" and did not even care if the number was a typographical error.[8] Tr 12/4927; Tr 13/5343.

The Coalition knows of no precedent or evidentiary principle that would permit APWU's 0.6 cent QBRM discount proposal to stand under the circumstances. It is axiomatic that witnesses in these complex cases will often make mistakes, ranging from simple transposition of numbers to mathematical errors and to conceptual errors. When this happens, witnesses try to identify and correct such errors as soon as they become aware of them. That is precisely what USPS witness Miller did, presumably when he reviewed KeySpan interrogatories directed to the QBRM cost savings issue. Tr. 13/5343.

The 0.85 cent cost savings estimate that Mr. Miller effectively disavowed in his two subsequent revisions never became part of the record, except to the extent that Mr. Riley put the number in his testimony. But the simple act of incorporating a nonexistent cost savings estimate in Mr. Riley's testimony does not give it any independent evidentiary standing. Moreover, as Mr. Riley admitted, he did not conduct any analysis of the cost savings estimates Mr. Miller developed, including the 0.85 cents he relied upon.

For these reasons, there is no factual or logical support for APWU's proposal to reduce the QBRM discount dramatically, from 3.0 cents to 0.6 cent. Faced with a complete failure of proof by APWU, the Commission would be justified, without more, in approving the 3-cent QBRM discount contained in the S&A.

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[8] As Witness Bentley testified, the Commission need not necessarily be conservative in deriving estimated cost savings. It should always strive to measure cost savings accurately. If there is some legitimate reason to be cautious, then the Commission should be conservative when recommending the rate. Tr 13/5251-2.

III. Substantial Record Evidence Supports Retention Of The Current QBRM Discount

The signatory parties to the S&A made an important stipulation in order to facilitate prompt consideration and approval of the rates incorporated in the agreement: For purposes of this proceeding only, the undersigned parties agree that, taken in their entirety, the Request, testimony, and materials filed on behalf of the Postal Service in this docket provide substantial evidence for establishing rates and fees, as agreed to herein . . .. [9] In the absence of opposition by any party, this stipulation should have fully satisfied any possible requirement that there be substantial record evidence to support the S&A. Stipulations such as this are consistent with, indeed encouraged by, the Commission's Rules Of Practice. See Rule 25 (b).

In view of APWU's failure to provide any credible evidence supporting its proposal to slash the QBRM discount to 0.6 cent and its witness' reluctance to rely upon USPS witness Miller's revised cost savings of 1.6 cents, the Commission would be fully justified in finding, without anything more, that retention of the 3 cent QBRM discount is appropriate. Nevertheless, out of an abundance of caution, KeySpan submitted the surrebuttal testimony of Richard E. Bentley,[10] demonstrating that, properly measured, the QBRM cost savings are over 5 cents, much higher than the current 3 cent discount that the S&A proposes to retain.

A. The Case For Higher Cost Savings

KeySpan witness Bentley began his analysis of QBRM cost savings by challenging APWU witness Riley's claim that USPS witness Miller's revised 1.6 cent cost savings estimate was too high. As he stated:

> APWU witness Riley claims that Mr. Miller's revised 1.6 cent QBRM cost savings is too high. He is wrong. The problem is not that Mr. Miller's revised estimate of QBRM cost savings is too high, but that his revisions did not go far enough.[11]

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9 S&A, Section II, Paragraph 3.

10 Mr. Bentley has testified in virtually every major proceeding in the last 20 years. His knowledge of BRM and QBRM operations and issues is unmatched. He has testified on BRM issues since the Docket No. R87-1 proceeding and the Commission has, on a number of occasions, accepted Mr. Bentley's recommendations. *See e.g PRC Op. R2000-1 at 552-55.*

11 Tr 13/5344..

To support this contention, Mr. Bentley has provided a detailed technical discussion of the reasons why USPS Miller's revised studies understate QBRM cost savings by over 3.4 cents. *See* Tr 13/5368-71. As part of his analysis, Mr. Bentley performed a critical, in depth examination of the methodology used by USPS witness Miller.[12] This examination revealed several conceptual problems with the mail flow models used by Mr. Miller. When Mr. Bentley used more reasonable assumptions, he derived cost savings of 5.03 cents, more than enough to justify retention of the 3-cent QBRM discount.[13]

B. Examination Of USPS Witness Miller's Methodology

As part of his critical examination of Mr. Miller's derivation of QBRM cost savings, Mr. Bentley traced how the method for measuring QBRM cost savings has evolved since the discount was first adopted in Docket No. R97-1. Tr 13/5346. As he pointed out,

> In Docket No. R97-1, the cost savings were measured by comparing the mail processing costs for prebarcoded QBRM to those same letters if postage-prepaid with handwritten addresses (HAND). The comparison was made for processing letters through the Remote Barcode System (RBCS) and the outgoing primary operations. In Docket No. R2000-1, this comparison was expanded to include mail processing through and including the incoming secondary operation.

Tr 135346. Mr. Bentley also explained that a careful examination of the mail flow models Mr. Miller used was very important because there are no CRA-derived unit costs for HAND or QBRM letters with which to compare results from the mail flow model and, "[c]onsequently . . . no way to reconcile the results to the CRA or other known information." Tr 13/5347-48.

To test the accuracy and reliability of USPS witness Miller's HAND and QBRM model-derived unit costs, Mr. Bentley compared them to the CRA-derived unit costs for other rate categories where that cost information is available. Tr 13/5348, Table 4.

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12 Notably, APWU witness Riley did not conduct ***any***, much less an in-depth review of Mr. Miller's methodology and results. He simply accepted the lowest possible number, thereby violating all accepted notions of what constitutes record evidence.

13 As Mr. Bentley explained "[t]he source of these savings include the additional costs necessary to apply barcodes to the HAND letters, and the additional costs incurred downstream because more of

What he found was "an obvious, disturbing pattern." Tr 13/5349. When non-prebarcoded letters are sent through the RBCS, Mr. Miller's model significantly ***understates*** costs. When letters bypass the RBCS, as prebarcoded QBRM letters do, the model significantly ***overstates*** costs. *Id.*

To confirm that something was wrong with the mail flow models Mr. Miller used, Mr. Bentley changed the entry points in the mail flow models so that he could compare the cost associated with letters barcoded by the USPS with the cost for prebarcoded letters. One would expect to find that, all other things being equal, letters that require the Postal Service to apply a barcode cost more to process than letters that are prebarcoded. But he found just the opposite: letters that are prebarcoded by mailers cost ***more*** to process, according to USPS witness Miller's cost model, than if those same letters are barcoded by the Postal Service within the RBCS. Tr 13/5350-51. Tables 5 and 6. Mr. Bentley characterized this as a "highly unrealistic" result.

In sum, Mr. Bentley's review of the methodology Mr. Miller used in this case revealed serious flaws:

> I conclude that Mr. Miller's new model simply does not reflect the real world very well and, as discussed in further detail below, produces results that are inconsistent and/or implausible.[14]

But Mr. Bentley did not stop there. Instead, he dug deeper to understand, more fully, problems associated with the assumptions that USPS Miller had made regarding the operation of the RBCS system. He demonstrated that the USPS model inputs reflect (1) reject rates that are too low, (2) productivity rates that are too high, (3) unreasonably high density figures that theoretically permit letters that are successfully barcoded in the RBCS to bypass too many intermediate operations, or (4) some combination of all these factors.[15] As Mr. Bentley concluded,

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those HAND letters will necessarily be processed by manual means rather than by automation." Tr 13/5347.

[14] Tr 13/5348. As Mr. Bentley elaborated "Mr. Miller uses aggregated input data that, understandably, cause some irregularities. Such problems usually can be minimized by using CRA proportional adjustment factors to reconcile model-derived unit costs to CRA-derived unit costs. Implausible and inconsistent results indicate the existence of further problems with the input data, and cannot be corrected by simply applying the CRA proportional adjustment factors." *Id* (footnote 8).

[15] Tr 13/5352-57.

Virtually 100% of all raw collection letters have access to the RBCS. Thus, virtually all the letters that run through the RBCS operation, after the culling operations, are machinable. Since we know the Postal Service successfully barcodes only 80% to 85% of those pieces, it is difficult to reconcile this range with the modeled RBCS results that indicate almost 100% of the letters being successfully barcoded to either 5 digits or 9 or 11 digits. If HAND and machinable single piece letters are barcoded 97.88 and 99.56% of the time, respectively, as shown in Table 9, what could possibly bring the average down to the actual figures? Obviously, the models overstate the RBCS' barcoding capabilities.[16]

C. Developing A More Reasonable Estimate Of QBRM Cost Savings

Having pointed out several flaws in USPS witness Miller's analyses, Mr. Bentley next turned to developing a more reasonable measure of QBRM cost savings. First, he used the USPS model, as presented to the Commission, without any adjustments.[17] The model derived unit cost for HAND letters is 6.82 cents. Tr 13/5357. When he adjusted this cost by application of the CRA adjustment factor for metered mail letters, the result was 9.65 cents, as shown in Table 10.

For QBRM letters, Mr. Bentley adjusted the model-derived cost (6.52 cents) downward[18] by applying the CRA adjustment factor for Automation Mixed AADC letters, as shown in Table 10. This downward adjustment is necessary since Mr. Miller's model-derived unit costs are consistently overstated when letters (such as QBRM) enter the mailstream after the RBCS operation. The resulting cost is 4.62 cents. Table I shows the final step in deriving QBRM cost savings.

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16 Tr 13/5357 (footnote omitted).

17 Mr. Bentley explained that, for purposes of his limited surrebuttal presentation in this phase of the case, he was reluctant to adjust the Postal Service's input data.

18 As Mr. Bentley explained, a fundamental flaw in Mr. Miller's methodology involved his application of the same BMM CRA proportional adjustment factor for both the HAND and QBRM models. Tr 13/5368. As Mr. Bentley explained (Tr 13/6368):

> [A]pplying this same BMM CRA adjustment factor to QBRM, which bypasses the RBCS, only makes the problem of overstating QBRM costs worse. Therefore, in order to accurately tie the model-derived unit cost to the CRA, Mr. Miller should have applied the Automation CRA adjustment factor to the QBRM model-derived unit cost.

Table 1
Derivation of QBRM Cost Savings

Letter Category	Reconciled Unit Cost	QBRM Savings
HAND	9.65	
QBRM	4.62	5.03

As a final check for reasonableness, Mr. Bentley applied the same metered mail CRA adjustment factor to the model-derived unit costs for both HAND and QBRM letters, thereby replicating what USPS witness Miller did. The resulting unit costs simply do not make sense when compared to the derived unit costs for other First-Class workshare letters. The QBRM unit cost (9.22 cents) would be 5.24 cents higher than the unit cost for Automation Mixed AADC (3.98 cents). Tr 13/5361 (Table 13). The 5.24-cent difference is inconceivable given that, with mail preparation costs excluded from the analysis, the only difference between these two categories of letters is that QBRM letters enter the mailstream at the outgoing BCS primary and Automation Mixed AADC letters enter the mailstream at the outgoing BCS secondary.

In contrast, a comparison of HAND and QBRM unit costs to other First-Class categories shows that Mr. Bentley's decision to apply ***different*** CRA adjustment factors to the HAND and QBRM model-derived unit costs was very reasonable. Tr 13/5359-60. The QBRM unit cost (4.62 cents) is only 0.64 cent higher than the unit cost for Automation Mixed AADC (3.98 cents). Tr 13/5360 (Table 12). [19]

For all of the foregoing reasons, the 5.03 cents QBRM cost savings derived by KeySpan witness Bentley presents a far more accurate measure of QBRM cost savings than the 1.6 cents savings calculated by USPS witness Miller. The Commission should adopt it as the method for determining, in the limited circumstances of this proceeding, that retention of the 3-cent QBRM discount is reasonable and supported by substantial evidence.

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[19] In Exhibit KE-1A , Mr. Bentley performed the same analysis using USPS witness Miller's derived workshare unit costs. When he applied the same BMM CRA adjustment factor to both HAND and QBRM letters, as Mr. Miller did, the results were similarly unreasonable. Tr 13/5370 (Table 1). However, when he applied different CRA adjustment factors to HAND and QBRM letters, the resulting unit costs exhibited "a sound, reasonable relationship." Tr 13/5371 (Table 2).

Conclusion

KeySpan ends with the same thought it began the brief with: common sense, balance, and good judgment are the key to resolving the QBRM discount issue. Under the extraordinary circumstances facing the Postal Service, the S&A represents a reasonable compromise of conflicting positions, considerations, and interests. It provides significant additional revenues for the Postal Service and important rate certainty for mailers. The S&A's proposal to retain the existing QBRM discount at 3 cents, which will have no adverse impact on the Postal Service's revenues, is fully supported by substantial record evidence. By contrast, APWU's proposal to slash the discount to 0.6 cents, which would have a profound adverse impact on the mailers who use this special service, has absolutely no support whatsoever in the record. Accordingly, APWU's proposal for QBRM should be rejected and the S&A should be approved.

Respectfully submitted,

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Dated: Round Hill, Virginia
March 4, 2002

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing document upon all parties to this proceeding, in compliance with Rule12 of the Commission's Rules of Practice.

Dated this 4th day of March 2002.

Michael W. Hall